

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0396-01  
Bill No.: SB 79  
Subject: Taxation and Revenue - Property  
Type: Original  
Date: January 16, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Blind Pension	\$0	(\$363,000)	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>(\$363,000)</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>\$0</b>	<b>(\$72,600,000)</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Revenue** assume no fiscal impact to their organization from this proposal.

Officials from the **State Tax Commission** assume this proposal would have no impact on their organization; however, they assume the proposal would have a significant impact on political subdivision property tax collections.

**Oversight** assumes the first year affected by the proposal would be calendar year 2004 taxes collected in FY 2005. Oversight also assumes that assessed valuations increase by six percent per year, while the increase in the Consumer Price Index is 3.5%. **Oversight** further assumes there would be a reduction in reassessment losses due to ownership changes. In response to a similar proposal in the prior session, the State Tax Commission assumed 6 percent of properties change ownership each year, resulting in an average 15% increase in value for those properties.

**Oversight** assumes the average 15% increase in value for sold properties would begin after the second biennial reassessment, and estimates the fiscal impact of this proposal as follows:

ASSUMPTION (continued)

Assessed valuation for 2002	\$69,300,000,000
Percent of assessed valuation from real property	69.1

Assessed valuation for 2002 from real property	\$47,900,000,000
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Estimated real property valuation for 2004 based on increase in Consumer Price Index. (\$47,900,000,000 x 1.06 x 1.035)	\$52,600,000,000
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Oversight assumes there would be no loss for 2004 since increases under existing statutes would be equal to the inflation rate as measured by the Consumer Price Index.

Estimated real property valuation for 2005 based on increase in Consumer Price Index. (\$52,600,000,000 x 1.035)	\$54,400,000,000
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Estimated real property valuation for 2005 based on 6% increase. (\$52,600,000,000 x 1.06)	\$55,800,000,000
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Estimated (loss) in real estate tax collections (\$1.4 Billion x \$6 per hundred)	(\$84,000,000)
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Estimated increase in valuation from ownership changes (\$52,600,000,000 x .06 x .06)	\$189,400,000
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Estimated increase in tax revenue from ownership changes (\$189,400,000 x \$6 per hundred)	\$11,400,000
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Estimated net loss for 2005	(\$72,600,000)
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**Oversight** assumes there would be no loss for 2006 since increases would be equal to the inflation rate as measured by the increase in the Consumer Price Index.

**Oversight** assumes there would also be losses to the Blind Pension Fund of approximately ½ of 1% of the Political Subdivision losses as a result of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**BLIND PENSION FUND**

<u>Loss</u> - Reduced Property Tax	<u>\$0</u>	<u>(\$363,000)</u>	\$0
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<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$363,000)</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**POLITICAL SUBDIVISIONS**

<u>Loss</u> - Reduced Property Tax Collections	\$0	(\$72,600,000)	\$0
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<b>NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(\$72,600,000)</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

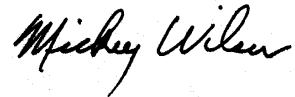
This proposal would limit any increase in value of real property in a reassessment to the rate of inflation as measured by the change in increase in the Consumer Price Index.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue  
State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 16, 2003